

Mail, says the Post Office, is a “natural monopoly.” But there is no such thing, only the natural tendency of people who want to live off the taxpayers through monopoly to claim there is. If any monopoly were actually natural, it wouldn’t need a government gun to enforce it.

The Post Office is a socialist organization. It is inconsistent with the American vision of liberty. It’s time to end socialized mail delivery and allow free-market competition.

Lies, Damned Lies, and Social Security

Patrick W. Watson

The feds may call “Social Security” a retirement program, but it’s actually an unsound, unfair, unworkable, and immoral system of wealth redistribution. It’s bankrupting America and destroying rather than creating financial security.

Franklin D. Roosevelt introduced Social Security in 1936. Congress, which as usual was only too happy to go along with executive violations of the Constitution, promised that Social Security would “provide safeguards against all of the hazards leading to destitution and dependency.” Instead of safeguarding against dependency, Social Security has increased it.

Like earthquakes which announce themselves with small tremors, the burden of Social Security was at first almost unnoticeable. In 1937, the tax rate was 1% on the first \$3,000 in earnings; the maximum was thus \$30 a year, to be matched by the employer.

In the post-war years Social Security grew as Congress and presidents added more benefits until the program be-

came an Omnibus Vote-Buying Act. Congress passed across-the-board benefit increases of 7% (1965), 13% (1967), 15% (1969), and then in 1972 tied benefits to the Consumer Price Index, yielding an annual "cost-of-living adjustment."

The SS taxes also grew larger, of course. In 1937 the maximum was \$30 annually. By 1970 it was \$374.40, an increase of over 1,000%. In 1971 Abraham Ellis—author of the prescient *Social Security Fraud* was called a right-wing alarmist for predicting that by 1987 the tax would rise to 5.9% of the first \$15,000, or \$885. He was wrong; actual 1987 rates were 7.15% of the first \$43,800, or \$3,131. Even this pessimist was 300% too optimistic.

When the program began, there were 100 workers paying into the system for every three people drawing benefits. By 1985 those 100 workers supported 32 retirees. Barring drastic changes in the birthrate, by 2030 there will be 52 retirees drawing benefits for every 100 workers paying in. Over time, then, the ratio of workers to retirees has shifted from 33-1 to 3-1, with worse to come.

In July 1987 the median age was 32.1 years in the United States, the highest ever. The fastest-growing group was that between 35-44 years: the baby boomers. By 2010 the first of these will be retiring. Will there be any benefits to collect? Maybe, but only at tremendous cost to the rest of us.

Then there is the Social Security "trust fund." It works like this: your employer, acting as an unpaid tax collector, deducts 7.5% of your wages up to \$45,000 a year, matches this amount, and sends it all to Washington. The Social Security Administration deposits it into the Treasury, and in return receives IOUs (Treasury Bonds) payable sometime in the future. Congress and the president then spend the cash on endive research and other incumbency enhancement schemes.

What happens in 20 or 30 years when the IOUs are due? The U.S. government has no money of its own, of course. It can pay back the Social Security trust fund only through

more taxes, more borrowing, or more inflating. All three come out of the people's pocketbook.

The first person to retire under Social Security was Miss Ida Fuller. When she retired in 1939, she had paid in only \$22. On January 31, 1940, she got her first check: \$22.54. Ida Fuller lived to be 100 years old, and the checks kept coming, just as FDR promised. In 34 years of retirement they totaled over \$20,000.

Once long-lived people like Ida Fuller were the exception. Now they are the rule. Yet while more and more people live into their 80s and even 90s, the official retirement age remains 65. Why? Because in the 1880s the authoritarian German Chancellor Otto von Bismarck set 65 as the retirement age for his Social Security program. But the average life expectancy in Germany was then 45.

A child born in America in 1776 would, on average, die at 35. Even in 1950, people 65 and over made up only 7.7% of the population. Now that figure stands at 12%, and by 2020 should be 17.3%.

Neil Howe writing in the *American Spectator* says there are no believable projections for public health-care spending in the next century. Even conservative estimates are off the charts. However, he thinks we could easily see 20 or 30% payroll taxes 40 years from now, just to pay for Medicare and Medicaid! Add in the cash benefits and you could lose half your paycheck even before income tax is deducted. No one seriously believes we will see such taxes. More likely we will either change the system drastically or go through an economic collapse.

Social Security is built on lies, thievery, and coercion. Notice that Social Security check stubs refer to FICA (Federal Insurance Contributions Act). In truth Social Security is a tax. You are required by law to pay; if you refuse the government puts you in jail. But they call it a "contribution" as if we were giving to the United Way. Nor is there any "insur-

ance.” If a private insurance policy were as unsound as Social Security, its sellers would go to jail.

Private con games like the classic “Ponzi scheme” are illegal. But when the government runs them, they become social and secure. Charles Ponzi was a 1920s swindler whose trick was to sell people an investment that promised a big return, then take their money, pay off earlier customers, and move on. The supply of such investors is finite, so while those who got in early did well, sooner or later it had to come to a screeching halt.

Social Security works the same way, except that the “investors” have no choice. Even Ponzi didn’t force people to invest at the point of a gun. The government does. The law makes a distinction between fraud and robbery based on coercion. Since the state has a monopoly on legal coercion, and can ultimately bring deadly force to bear on those who resist it, can we call the required “investment” in Social Security anything less than robbery?

The semantical games don’t end there. The government says that employees pay the FICA tax and employers match it. But this is an accounting trick. The economic reality is that the worker pays it all because the matching payment is just another cost of labor.

Social Security injures the nation’s economy and therefore hurts everyone. If the billions drained away by Social Security every year were put to productive use, our economy would be much less troubled than it is today. Instead, capital is wasted on nonproductive government projects.

Keynesians tell us that government spending creates jobs and stimulates the economy. But they forget to look at how the money would have been used otherwise. Taxation destroys jobs, and by taxing employment, Social Security creates unemployment and hurts small business.

What should we do about this dinosaur in our midst? Several plans have been offered. Unfortunately they range

from the patch-up Lee Smith outlined in *Fortune* last year to the gradualist scheme offered by Peter Ferrara which calls for government to force people to invest in a "Financial Security Account" or stay in the Social Security system. Free marketeers must oppose both in principle. Only a principled stand has any chance of surviving the lobbying of the American Association of Retired Persons.

In the meantime, we should take care of ourselves and not rely on Social Security, support those who want to change it for the better, warn of the present system's dangers and immorality, and oppose inflationary fix-it schemes and every other intervention in the economy. Advancing lasting solutions based on liberty is the only chance we have of abolishing rip-offs like Social Security.

The Conservative Sanctification of Big Government

Llewellyn H. Rockwell, Jr.

The most disheartening aspect of the Reagan years has been the Inside-the-Beltway conservative love affair with big government.

Education Secretary William Bennett has been nagging Stanford University for changing its core curriculum. As a cultural conservative, I agree with much of what he says. But am I the only person on the Right who thinks federal bureaucrats have no business telling universities what to teach?

Where are all my conservative friends, who used to denounce federal interference in education, now that Washington is dictating a national curriculum? Or did their denunciations apply only when they weren't doing the interfering?